

# Total loss

## Definition of a total loss

Total loss occurs when your car is not repairable, or when it costs more to repair than what it is worth.

## Other definitions you need to know

### Actual Cash Value:

“Actual cash value” means your cost to replace your car with a like car. This includes the retail price, plus all applicable taxes and fees.

### Like Car:

“Like car” means a car that is the:

- same make and model;
- same or newer year;
- similar body style, options, and mileage as your car; and
- in as good or better overall condition.

To achieve “likeness,” you or the company must itemize and confirm in a dollar amount any deductions or additions for options, mileage or condition. An insurer must consider information that you supply when it determines deductions or additions. However, shared information may not always produce a change in the value.

## Know your rights

You have the right to payment of the actual cash value of your car, and to expect a prompt and fair settlement. Don’t be surprised if your “value amount” and the insurer’s “value amount” do not match. Be ready to negotiate with the insurer when this happens.

## How insurers establish a total loss value (actual cash value)

The insurer can adjust and settle your claim using one or a combination of the following methods:

1. Offer to replace your car with a like car that is available for your inspection within a reasonable distance from where you garage your car.
2. Offer you a cash settlement based on the actual cash value to purchase a like car. To arrive at a cash settlement offer, the insurer may use one or more of the following:
  - find and offer you a like car in your area;
  - obtain a quote for a like car from two or more licensed dealers in your area;
  - find two or more like cars advertised for sale in the local media within the last 90 days; or

- use an independent company to determine the value of a like car in your area.
3. If you and the insurer both agree, the insurer may use other appraisal methods, such as using independent auto guides.

If the insurer cannot locate like cars in the area where you garage your car, it may expand the search in 25-mile increments until two or more like cars are identified.

The insurer must add to the actual cash value any applicable taxes, license fees, and other fees required to transfer ownership.

### **What your insurer must do when you accept the settlement but you cannot find a like car**

When you accept the initial settlement the insurer must provide you with written notice of the requirements to reopen your claim. They must reopen the claim if you notify them within 35 days of settlement that:

- you cannot purchase a like car for the settlement amount; and
- you found, but did not purchase a like car that costs more than the settlement amount.

Your insurer must then:

- find a like car that is available for the settlement amount; or
- pay you the difference between the settlement amount and the cost of the like car; or
- purchase the like car for you; or
- close the claim per the appraisal provision described in your policy.

Your insurer is not required to reopen your claim if:

- at the time of settlement, they provided you with written notice of the availability and location of a like auto for you to buy for the settlement amount; and
- you did not buy the auto within three days of the receipt of the settlement.

### **Keeping your car in its damaged condition**

If you keep your car, the insurer will deduct the salvage value only after it first calculates the total actual cash value. The total actual cash value is the retail price, plus all applicable taxes and fees. At your request, the insurer must:

- give you the name and address of a salvage dealer who will purchase the salvage for the amount deducted; and
- make this option available to you for at least 30 days after receipt of the settlement.

This option will not exist, if after settlement, the condition of your car has changed. For example, you replace the stereo with one of lesser value.

When you keep your totaled car, you must write "TOTALLED," on the title and

send it back to the Department of Licensing. Once repairs are complete, you must pay an inspection fee and have your car inspected by the Washington State Patrol. If you have questions, call the Department of Licensing, Title and Registration Services, Customer Service Unit at 360-902-3770.

### **Past auto repairs and maintenance**

Money you spent on maintenance and repairs does not translate dollar for dollar to increase the value. But the cost of these improvements may help to maintain the auto's retail value based upon its overall condition.

### **When you and the company disagree on the actual cash value**

If you and your insurer cannot agree on the value, you may have the right to hire an appraiser via the Appraisal Provision in your auto policy. Under this provision, you and the company each hire appraisers (to find an appraiser, try the yellow pages in your local phone book). The two appraisers try to reach agreement on the value of your car. If they cannot reach an agreement, they will select an umpire to make the final decision. Both you and the company will share the cost of the umpire.

If you and the other person's insurer fail to agree on the value, you can use your own collision coverage. Under this coverage, you are subject to your policy provisions. Your company, if it chooses, may then pursue reimbursement from the at-fault driver's company.

If you did not purchase collision coverage, you would have to settle directly with the other person's company, or seek legal advice. If the value of your claim is under \$4,000, you can pursue settlement in Small Claims Court. To pursue larger amounts, you may want to consult with an attorney.

### **When the actual cash value will not pay off your loan or lease agreement**

Unless you bought auto loan/lease gap coverage, you are responsible for the difference between the actual cash value of your car and the outstanding balance owed to the lender. You may want to contact your lender about extending your existing loan to the replacement car loan.

### **Obtaining a rental car**

If you are dealing with your own company, you must have rental car coverage included in your policy. When you are ready to settle your claim, your company may stop rental car payments even though you may not have used all the coverage.

If you are dealing with someone else's insurance company, the insurer can negotiate the costs for the rental of a car. If the insurer offers a flat rate, it must tell you where you can obtain a rental car for that amount.

### **The insurer wants to move your car prior to settlement of the claim**

With your permission, the insurer may move the car to eliminate additional storage costs. If you do not consent to moving the car, the insurer may require you to pay any additional storage costs.

**The insurer denies storage costs**

The insurer must advise you by phone or in writing before they stop payment for storage. They must also provide reasonable time (up to five business days) for you to remove your car from storage.

**The insurer wants to delay settlement of your car claim to force you to settle your injury claim**

The insurer must keep the total loss settlement procedure separate from any other portion of your claim, such as: Personal Injury Protection, Bodily Injury, or Uninsured Motorist Bodily Injury.

**SPECIAL NOTE:**

The Department of Licensing regulations provide definitions for a destroyed or wrecked car:

Revised Code of Washington (RCW) **46.12.005 (2)**

RCW 46.80.010 (6)

Washington Administrative Code (WAC) **308-56A-460**

The following WAC sections also apply to Total Loss settlements:

WAC 284-30-330 (12)

WAC 284-30-3907 through WAC 284-30-3916

**The Office of the Insurance Commissioner can help you!**

If you have any questions or need additional information about your rights, call our Insurance Consumer Hotline at

**1-800-562-6900**

or visit our Web site at

**<http://www.insurance.wa.gov/>**